

# PATENT COOPERATION TREATY

From the  
INTERNATIONAL PRELIMINARY EXAMINING AUTHORITY

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## PCT

### NOTIFICATION OF TRANSMITTAL OF INTERNATIONAL PRELIMINARY EXAMINATION REPORT

(PCT Rule 71.1)

Date of Mailing (day/month/year)	<b>01 OCT 2004</b>
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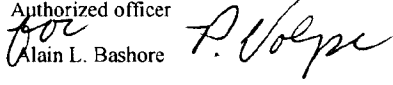
Applicant's or agent's file reference		<b>IMPORTANT NOTIFICATION</b>	
BASIS INST			
International application No.	International filing date (day/month/year)	Priority date (day/month/year)	
PCT/US03/19179	18 June 2003 (18.06.2003)	18 June 2002 (18.06.2002)	
Applicant			
KONGTCHEU, PHIL			

1. The applicant is hereby notified that this International Preliminary Examining Authority transmits herewith the international preliminary examination report and its annexes, if any, established on the international application.
2. A copy of the report and its annexes, if any, is being transmitted to the International Bureau for communication to all the elected Offices.
3. Where required by any of the elected Offices, the International Bureau will prepare an English translation of the report (but not of any annexes) and will transmit such translation to those Offices.
4. **REMINDER**

The applicant must enter the national phase before each elected Office by performing certain acts (filing translations and paying national fees) within 30 months from the priority date (or later in some Offices)(Article 39(1))(see also the reminder sent by the International Bureau with Form PCT/IB/301).

Where a translation of the international application must be furnished to an elected Office, that translation must contain a translation of any annexes to the international preliminary examination report. It is the applicant's responsibility to prepare and furnish such translation directly to each elected Office concerned.

For further details on the applicable time limits and requirements of the elected Offices, see Volume II of the PCT Applicant's Guide.

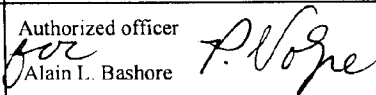
Name and mailing address of the IPEA/US Mail Stop PCT, Attn: IPEA/US Commissioner for Patents P.O. Box 1450 Alexandria, Virginia 22313-1450 Facsimile No. (703) 305-3230	Authorized officer  Alain L. Bashore Telephone No. 703-308-1113
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## PATENT COOPERATION TREATY

## PCT

## INTERNATIONAL PRELIMINARY EXAMINATION REPORT

(PCT Article 36 and Rule 70)

Applicant's or agent's file reference	<b>FOR FURTHER ACTION</b> See Notification of Transmittal of International Preliminary Examination Report (Form PCT/IPEA/416)	
BASIS INST		
International application No.	International filing date ( <i>day/month/year</i> )	Priority date ( <i>day/month/year</i> )
PCT/US03/19179	18 June 2003 (18.06.2003)	18 June 2002 (18.06.2002)
International Patent Classification (IPC) or national classification and IPC		
IPC(7): G 06 F 17/60 and US Cl.: 705/30,35,36,37		
Applicant		
KONGTCHEU, PHIL		
<p>1. This international preliminary examination report has been prepared by this International Preliminary Examining Authority and is transmitted to the applicant according to Article 36.</p> <p>2. This REPORT consists of a total of <u>3</u> sheets, including this cover sheet.</p> <p><input type="checkbox"/> This report is also accompanied by ANNEXES, i.e., sheets of the description, claims and/or drawings which have been amended and are the basis for this report and/or sheets containing rectifications made before this Authority (see Rule 70.16 and Section 607 of the Administrative Instructions under the PCT).</p> <p>These annexes consist of a total of ___ sheets.</p> <p>3. This report contains indications relating to the following items:</p> <p>I <input checked="" type="checkbox"/> Basis of the report</p> <p>II <input type="checkbox"/> Priority</p> <p>III <input type="checkbox"/> Non-establishment of report with regard to novelty, inventive step and industrial applicability</p> <p>IV <input type="checkbox"/> Lack of unity of invention</p> <p>V <input checked="" type="checkbox"/> Reasoned statement under Article 35(2) with regard to novelty, inventive step or industrial applicability; citations and explanations supporting such statement</p> <p>VI <input type="checkbox"/> Certain documents cited</p> <p>VII <input type="checkbox"/> Certain defects in the international application</p> <p>VIII <input type="checkbox"/> Certain observations on the international application</p>		
Date of submission of the demand	Date of completion of this report	
20 January 2004 (20.01.2004)	11 September 2004 (11.09.2004)	
Name and mailing address of the IPEA/US	Authorized officer	
Mail Stop PCT, Attn: IPEA/US Commissioner for Patents P.O. Box 1450 Alexandria, Virginia 22313-1450	for  Alain L. Bashore	
Facsimile No. (703) 305-3230	Telephone No. 703-308-1113	

Form PCT/IPEA/409 (cover sheet)(July 1998)

## INTERNATIONAL PRELIMINARY EXAMINATION REPORT

International application No.

PCT/US03/19179

**I. Basis of the report****1. With regard to the elements of the international application:\***

- ☒ the international application as originally filed.
- ☒ the description:  
pages 1-54 as originally filed  
pages NONE filed with the demand  
pages NONE filed with the letter of \_\_\_\_\_.
- ☒ the claims:  
pages 55-110 as originally filed  
pages NONE as amended (together with any statement) under Article 19  
pages NONE filed with the demand  
pages NONE filed with the letter of \_\_\_\_\_.
- ☒ the drawings  
pages 1-19 as originally filed  
pages NONE filed with the demand  
pages NONE filed with the letter of \_\_\_\_\_.
- ☐ the sequence listing part of the description:  
pages NONE as originally filed  
pages NONE filed with the demand  
pages NONE filed with the letter of \_\_\_\_\_.

**2. With regard to the language, all the elements marked above were available or furnished to this Authority in the language in which the international application was filed, unless otherwise indicated under this item.**

These elements were available or furnished to this Authority in the following language \_\_\_\_\_ which is:

- ☐ the language of a translation furnished for the purposes of international search (under Rule 23.1(b)).
- ☐ the language of publication of the international application (under Rule 48.3(b)).
- ☐ the language of the translation furnished for the purposes of international preliminary examination (under Rules 55.2 and/or 55.3).

**3. With regard to any nucleotide and/or amino acid sequence disclosed in the international application, the international preliminary examination was carried out on the basis of the sequence listing:**

- ☐ contained in the international application in printed form.
- ☐ filed together with the international application in computer readable form.
- ☐ furnished subsequently to this Authority in written form.
- ☐ furnished subsequently to this Authority in computer readable form.
- ☐ The statement that the subsequently furnished written sequence listing does not go beyond the disclosure in the international application as filed has been furnished.
- ☐ The statement that the information recorded in computer readable form is identical to the written sequence listing has been furnished.

**4. ☐ The amendments have resulted in the cancellation of:**

- ☐ the description, pages NONE
- ☐ the claims, Nos. NONE
- ☐ the drawings, sheets/fig NONE

**5. ☐ This report has been established as if (some of) the amendments had not been made, since they have been considered to go beyond the disclosure as filed, as indicated in the Supplemental Box (Rule 70.2(c)).\*\***

\* Replacement sheets which have been furnished to the receiving Office in response to an invitation under Article 14 are referred to in this report as "originally filed" and are not annexed to this report since they do not contain amendments (Rules 70.16 and 70.17).

\*\* Any replacement sheet containing such amendments must be referred to under item 1 and annexed to this report.

# INTERNATIONAL PRELIMINARY EXAMINATION REPORT

International application No.  
PCT/US03/19179

## V. Reasoned statement under Rule 66.2(a)(ii) with regard to novelty, inventive step or industrial applicability; citations and explanations supporting such statement

### 1. STATEMENT

Novelty (N)	Claims <u>1-273</u>	YES
	Claims <u>NONE</u>	NO
Inventive Step (IS)	Claims <u>1-273</u>	YES
	Claims <u>NONE</u>	NO
Industrial Applicability (IA)	Claims <u>1-273</u>	YES
	Claims <u>NONE</u>	NO

### 2. CITATIONS AND EXPLANATIONS

Claims 1-273 meet the criteria set out in PCT Article 33(2)-(3), because the prior art (after further consideration) does not teach or fairly suggest: formation of a BIC between one or more buyers and one or more sellers for use in formation of a financial derivatives contract; establishing a BIC basis; identifying agreement terms of the BIC including contract time, premium payment time, payout payment time, premium payment amount, and payout payment amount; validating the BIC reflecting agreement terms, inputting scaling density function relating dependence of unit notational premium amount of a BIC to premium amount for any other notational amount of a BIC; inputting functions representative of BICs prices responsive to an offer and demand; maintaining an inventory of derivatives contracts where the inventory of the derivatives contracts is maintained in BICs units; decomposing a residual contract in a BIC basis which is then reported in a net profit or loss as the non-hedging part of the derivatives contract.

There is further not taught or fairly suggested (after further consideration): means for receiving a payout function expressed in DCWBSOF format of a derivatives contract; and , means for transforming a payout payment function expressed in DCWBSOF format into DCWOF format, where the DCWOF format is a function of observed values of one or more underlyings.

There is further not taught or fairly suggested (after further consideration): inputting a description of a derivatives contract in functional format; inputting prices for one or more basis instruments; returning a price for the derivatives contract responsive to the description of the derivatives contract in functional format and the prices of one or more basis instruments.

There is further not taught or fairly suggested (after further consideration): creating a credit risk underlying whose value at any given time is equal to a percentage of liability a counterparty honors at a given time that depends on a notational amount of counterparty liability at the given time, first stakeholders identity and counterpartys identity; setting a maximum response to difference between value of counterparty liability not inclusive of credit risk and value of liability inclusive of credit risk; determining first and second payment amounts for stakeholders and calculating margin responsive to first and second payout amounts.

Claims 1-273 meet the criteria set out in PCT Article 33(4), and thus meet industrial applicability because the subject matter claimed can be made or used in industry.